



*Editor of The Evening Telegraph:—Sir—I have been frequently asked, of late, by my former agents and the public press for a full and circumstantial explanation of the grounds upon which the promise to pay the interest and principal of the 5-20 loan in gold was based, and the extent to which the faith of the nation was pledged. I consider the agitation of this subject, namely, the payment of our 5-20 bonds in anything but gold, as an unnecessary and injurious attack upon the public credit.*

*No possible good can come from it. Much injury to the credit, not only of the nation but the whole business community must ensue from the bare discussion of such a question. It is useless, because unless we are prepared to expand the greenback currency, the Treasury is not in funds to avail of its option if it were right to do so. It is suicidal and foolish to thus damage our credit by attempting to force a construction of the loan laws never contemplated by those who framed them, by those who executed them, nor by those who invested under their provisions.*

#### REMONSTRANCES.

*I have not hesitated to remonstrate with Senator Sherman and others who take the "greenback" view of this question, and now I call upon you and all the press of the land of all shades and parties to stand by the right in this matter.*

#### REPRESENTATIONS OF THE PRESS.

*If the several Secretaries of the Treasury, the General Agent, and the Sub-Agents are responsible for a "gross deception" of the people, you, gentlemen of the press, are equally responsible; for, without your noble aid and untiring efforts, the public would never have responded with such an outpouring of means. You disseminated, in thousands of editorials, the statement that the funded debt (the 5-20 and other loans) were, principal and interest, payable in coin. You did it honestly, and so did I.*

#### POINTS OF LAW.

*In a recent letter to Senator Sherman I argued as follows:—That it should be considered a legal act that the 5-20s are payable, principal and interest, in gold.*

*Because, Nothing is said to the contrary in the law creating the loan.*

*Because, The custom of all other nations, as well as our own, has always been to pay a funded debt in coin only.*

*Because, The debate at the time the loan law was passed revealed distinctly the mind of Congress. The Chairman of the Committee of Ways and Means himself distinctly stated, at the time the bill was pending, that the bonds were, principal and interest, payable in gold. Because, A provision was inserted in the bill creating a sinking fund, in coin, to be annually applied to the purchase or payment of the bonds.*

*Because, The Secretaries of the Treasury have uniformly declared that the bonds would be payable in gold.*

*Because, The bonds were sold to the people by the authorized agent of the Government on the strength and contract of this declaration. Because, This interpretation of the law was accepted by the whole country. Congress, including Senator Sherman, stood by while the Treasury Department was thus, year after year, promising to pay principal and interest in gold, without giving a single note of warning of any intention to repudiate the contract in after years.*

*Because, When the chairman of the Committee of Ways and Means, to the retarding and injury of the negotiation of the loan then going on, rose in his seat, during one of the darkest periods of the war, and proposed his individual motion, that thereafter the principal and interest of the loan should be paid in legal tender currency, his motion was speedily and promptly suppressed, but not until it had done great damage to the public credit. The indications unmistakably showing that upon any other than a gold basis it would be impossible to sell bonds.*

*Because it is a fixed and settled legal, as well as moral, principle that the principal is bound by all acts of a recognized agent, and legal gentlemen and Senators may as well argue to the winds as attempt to tell the loyal people of this nation who furnished the money in exchange for these bonds that Congress is not bound by the promises of its agents. If a clerk or agent, year after year, transacts business openly to the satisfaction of his principal, making sales, purchases, and contracts in the name of that principal, while he looks on approvingly, and sanctions in innumerable cases the agent's acts, they are of course not only morally but legally binding.*

*Our bonds have advanced in the way of any other bonds, and even now are in demand from this class of investors in greater than that of any other class.*

*What becomes, then, of the assertion that the man who holds Government bonds is a privileged person? Cannot any man who has a horse, a cow, a town lot, a few surplus bushels of corn or wheat, or any article of exchangeable value, or even his labor, obtain these bonds by simply plying with his goods, produce, property, or labor, and with the proceeds thereof purchase an interest in the public funds? If he groans under the taxation of his town lots or surplus lands, let him sell them and invest the proceeds in this "favored" security. The truth is, that a large portion of those who thus argue against the exemption of the bonds from State and local taxation, are either ignorant of the truth of the matter, or were afraid, during the war, and are now, of risking their means by an investment in public stocks. They have no confidence in the bonds, and have the loyal holders of them as they hated the war and all things growing out of it. We are witnesses to the fact that investments in real estate, made at the commencement of the war, have, in many localities, advanced in value from one hundred to three hundred per cent. Especially is this so in cities, towns, and villages. Investments in real estate at the commencement of the war have paid much better than investments in Government bonds. Yet this clamor for the taxation of the bonds for local purposes, mostly comes from the class of the community who have gained largely from advances in the value of real estate.*

#### PENDING FUNDING SCHEME.

*The present Funding bill, as introduced by the Chairman of the Finance Committee of the Senate, contains some very objectionable provisions, the chief of which is that legislating for the compulsory conversions of 5-20's into any new loan that may be provided. No greater hindrance than this could be placed in the way of the speedy conversion of this loan into the proposed consolidated debt; and I regret very much that the new bill contains any such provisions. I share with Mr. Sherman in regretting that the bill introduced two years ago was not successfully pressed to a passage. His own words are: "My own conviction is, that two years ago this question ought to have been settled," for if the plan suggested at that time had been promptly adopted, the larger portion of our indebtedness would have been by this time funded into a five per cent. loan, and the Treasury and banks would have resumed specie payments by the 1st of July, 1867.*

#### MISTAKES OF THE PAST.

*There can be no question that the happy results would have followed the passage and execution of such an act, that the present propositions to tax the Government bonds to pay them off in greenbacks, etc., would not have been thought of. Many beneficial results would have followed the adoption of the original bill two years since, namely, the saving of about \$20,000,000 of interest per annum, the wider dissemination of the loan among the masses, and the removal of the debt from its present injurious competition with railroad, mercantile, mining, manufacturing and all the other vital interests of the country; for, when specie payments had once been resumed, and the 5 per cent. interest received by the bondholder was worth no more than the 5 per cent. interest received from a mortgage or other sources of income, it is manifest that there would be better opportunities for our struggling railroads and manufacturing and other interests to borrow money from the banks and capitalists. For these reasons I urged the necessity of the prompt funding of the debt, and return to specie payments; and I now deeply regret that, at the risk of further attacks, upon my personal motives, I did not then use greater exertions to secure the adoption of these plans.*

#### EFFORTS AT FUNDING.

*In October, 1865, I was requested by Mr. McCulloch to present to him in writing my views on the funding of the public debt, the resumption of specie payment, etc. etc. I did so, and at the same time submitted these views to Senators Fessenden, Sherman, and others. Mr. McCulloch had many and able advisers, but his views in the main coincided with mine, and when the time for action arrived Senator Sherman prepared and introduced a bill satisfactory to the Secretary. This bill was opposed from unexpected quarters, and the Senator, after modifying it greatly, deemed it best to postpone it, owing to the increasing excitement in political matters.*

*I have no doubt that the people, the masses, are fully able to absorb all our debt. Of course a portion will always be held by banks, and another portion abroad, but even the eight or*

*the New York Democratic Convention, un- takably maintained and insisted upon the pay- ment of the 5-20 bonds, principal and interest, in coin.*

#### MR. COOKE'S POSITION.

*I make no apology for thus, once more, in- tending upon public notice. I do not wish my position misunderstood. I naturally feel a great responsibility, and as my fellow-citizens deem it right that I should not hesitate to ex- press my views in the matter, I have done so.*

#### MISTAKES OF BUTLER AND PENDLETON.

*Before closing I wish to correct a misstate- ment originally made by General Butler, and repeated by Mr. Pendleton in his Milwaukee speech. Both gentlemen assert that I adver- tised, as general agent, the 10-40 loan as the only loan of the Government, the principal and in- terest of which were payable in coin. This is a double error. I never was the special agent of the Government for the sale of the 10-40 loan; and the advertisement of the firm of Jay Cooke & Co. was only to this effect:—That the 10-40 loan was then the only loan of the Government to be had at par, the principal and interest of which were payable in gold. Had I been the special agent for the sale of the 10-40's I am confident that it would have been made so great a success that the Government would not thereafter have paid a greater inter- est than five per cent. on any of its loans. I believe, also, that if this loan had been man- aged properly, and by one agent, that an abun- dance of funds could have been produced at all times, and thereby many hundreds of millions would have been saved to the Government which were lost by reason of increased prices charged by contractors and others to compen- sate for delay in payment of their accounts for supplies, etc.*

#### PAST EFFORTS TO EMBARRASS THE FINANCES.

*I believe, further, that the war would have been ended in 1864, had not the enemy been per- fectly aware of the then tottering condition of our finances; but the clamor against the agency system, and base and false insinuations and accusations were then made, which induced the Secretary to try the negotiation of the 10-40 loan through the efforts of the Treasury alone, which, of course, resulted in failure. This same clamor and objection sprang up again when Mr. Sherman introduced the first Funding bill. Yielding to it has cost this nation, in both in- stances, more treasure than can be estimated, besides a large portion of the distress and trouble always consequent upon such inaction and delay.*

*Most respectfully, your fellow-citizen,  
JAY COOKE.*



agent may never have had without a certain legal authority to show that his principal is bound by what he has properly done in the regular course of clerkship or agency.

#### SCHEMES OF REPUTATION.

I think I have written enough to satisfy the bondholders that there are reasons, and good ones too, why they need not fear the success of any plan to defraud them of their just rights. I think, however, that I may say further that any man, or any party, advocating such a shallow and dishonest scheme of repudiation as would be the payment of the 5-20 loan in greenbacks, will be almost entirely unsupported by the mass of the people, including not only the intelligent educated men of all professions, occupations, and parties, but the great mass of honest yeomen—the tillers of the soil. The people who, through long years of terrible war, maintained the honor and integrity of the nation cannot possibly now consent to tarnish their fair fame, or to lower our standard of honorable financial credit, or to make this nation an example of bad faith before the world.

#### SENATOR SHERMAN'S OPINION.

As I have above referred to Senator Sherman's position in this controversy, I deem it just to that distinguished gentleman, whose position and record during the war have been the subject of universal admiration, to say that while he honestly believes the law, strictly interpreted, gives the Government the right to pay the bonds in greenbacks at the maturity of the five-year option, yet in a recent letter he declares that, "while this is my opinion on a legal question, I do not wish to raise it, nor did I. It is forced upon us; and I would gladly aid, either by a return to specie payments, or by an exchange of new bonds, or by the purchase in open market, at current rates, of 5 20s, to avoid deciding a question that in the minds of just men, whichever way decided, would affect the public credit."

Further—by way of illustration—suppose a man having \$2000, gold, sold it during the war for a premium of 60 per cent., realizing \$3000 in legal-tenders. This he invested in \$3000 5-20s. Now, under the operation of the scheme of repayment in greenbacks, gold runs up to 500 per cent. premium. He takes his greenbacks \$3000, for his bonds and reinvests in gold, but finds, instead of his original \$2000, which he honestly risked on the fate of his country, he now has but \$500. That this would be a fair estimate of the result to this bondholder, no one can doubt who has read the history of all irredeemable and excessive issues of currency in every age. If the scheme were at all possible or just and proper strict justice would require that an account should be taken from each subscriber of the premium on gold on the day and hour he made his purchase of bonds, and then he should be permitted to purchase from the public treasury an amount equal to the original sum in hand, as the proceeds of his bonds at this date. Have the advocates of these "greenback" measures reflected on the wide-spread ruin that would follow the success of their efforts—ruin to vested interests—to widows, orphans, the poor, the unprotected, and ignorant all over the land?

#### THE QUESTION OF TAXES.

It is common for public speakers who advocate the violation of the nation's faith by insisting on local taxation of bonds, their payment in greenbacks, etc., to designate the bondholders as "rich," as "privileged," etc., and also to stir up the West against the East, because of the presumption that the East holds an undue proportion of the public debt. All this is mere demagogism and wilful perversion of truth. With the exception of banks and savings institutions, there are not many large holders of Government bonds, the great bulk being held by the people, not the capitalists.

#### HOLDERS OF THE BONDS.

Out of the three million subscribers to our various public loans, over nine-tenths are of the class called the people. The West took \$320,000,000 of the \$830,000,000 7-30 loans, and I doubt not, holds a large portion of it now, and this is as large a proportion as could be expected from a new and enterprising region, where money always commands higher rates than at the seaboard. Ohio alone took over \$90,000,000, and Illinois over \$70,000,000. The West was also a large taker of the 5 20 and other loans. I can substantiate these facts, for I have taken the trouble to analyze each day's subscriptions with the above result.

Again, how can the bondholders be considered a privileged class? During the entire sale of these bonds, they were offered freely, at par, to any one. Even the owner of but \$50 was not excluded, but hundreds of thousands of these small investors came forward in all parts of the land and were gladly welcomed. The

and prosperous land, if they had the option to take it. I believe also that the rate of five per cent., free from taxation, would be perfectly satisfactory, but at present, and within the next ten years, no lower rate of interest than this will fix the loan permanently in the hands of that class of people who ought to hold it, as it would be the most safe and legitimate investment for widows, orphans, trusts, estates, mechanics, farmers, saving funds, etc., etc. Being guaranteed by us all, the rate would be a fair return, and much better for this class of investors than a larger rate derived from greater risks, which latter ought only to be taken by the capitalists and active business men of the country.

#### GOLD AND SILVER IN THE COUNTRY.

From the best sources of information I have the impression that our country contains at least two hundred and fifty millions more gold and silver coin and bullion than we had at the beginning of 1861, and I believe all that is wanted now to insure speedy and safe resumption, after the completion of the funding of the 7-30s, is to fix the day.

#### RESUMPTION OF SPECIE PAYMENTS.

If thought more prudent to provide for contingencies by arranging for a temporary foreign loan, or by authorizing the Treasury to pay interests on deposits of gold, either of these plans would provide all that would be required. The question of resuming specie payments is to my mind very simple, and than the present there is no more favorable time for fixing the day, say twelve or eighteen months ahead. When this desirable object shall be accomplished, the payment in gold of the original 5-20 loan can be commenced by providing from the sales of a new consolidated five per cent. funding loan all that may be needed. It will not be necessary to provide for the whole \$514,000,000 at once. The loan was issued in series of about 100,000,000 each, called first, second, third, fourth series, etc. The holders of the first series can be first notified and paid off. The chances are that very few holders would desire payment, but that all or nearly all would voluntarily fund in the new and longer 5 per cent. bonds. This would especially be the case if the new loan should be so popularized that there would be a compulsion for it, a new class of purchasers taking all that was not promptly absorbed by the holders of the old loan. I believe that not \$50,000,000 of gold would be called for in making the whole payment and exchange of the \$514,000,000. The same process could be applied to the other issues of 5 20s as fast as the government option matured. How sad then, in view of the very simplicity of the solution of this whole subject, that prominent men all over the country should endeavor to make a political question of it; and saddest of all, that any of those who sustained the cause of the country, and upheld its credit during the dark years of the Rebellion, should now give the weight of their position or character to any of these "greenback" schemes.

#### PREDICTION VERIFIED.

At the close of the first 5 20 loan, I ventured to predict that no other 6 per cent. gold loan would be offered at par by the Government. Up to this hour the prediction has been verified, and I am equally confident that no such breach of faith as would be involved by the payment of the 5-20 loan in greenbacks will ever occur.

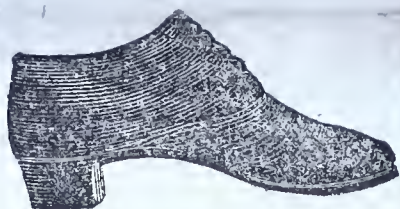
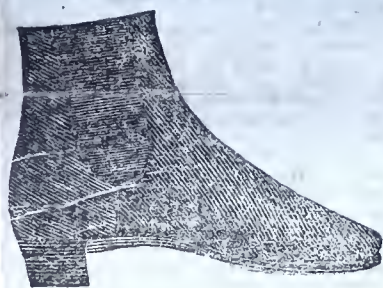
#### BAD ADVISERS.

I regard the agitation, originally of this proposition, as the work of those who opposed the war and all measures for the preservation of the national credit and existence. On the approach of a Presidential election, they have, for want of better and more patriotic capital, availed themselves of the temporary embarrassments of portions of the country, to stir up an ignorant opposition to the public credit. Perhaps the country must submit, through the pending canvass, to postpone all attempts to remodel the finances; but I am positive, that so soon as the Presidential election is over, this question will no longer be postponed, but plans will be inaugurated that will not only fully maintain the national faith and credit, but greatly reduce the present burden of the debt.

#### RETRACING THEIR STEPS.

I am glad to observe unmistakable signs of the abandonment, by both parties, of any intention to press this "greenback" question, the recent political conventions in various States having avoided any explicit declaration of opinion on this subject. The recent Republican State Convention in Philadelphia more particularly, nobly reasserted the inviolability of all contracts between the Government and bondholders, and Governor Seymour, before





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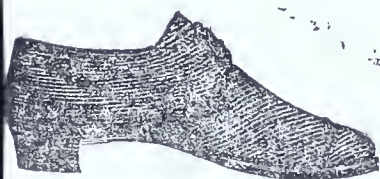
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